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Review of the efficiency of the administrative and financial functioning of the United Nations

Procurement activities in the United Nations Secretariat

Report of the Secretary-General

Summary

Pursuant to General Assembly resolution 69/273, the Secretary-General has prepared the present report, in which he advises the Assembly on the impact of Umoja on the procurement process, provides information on the advantages and disadvantages of different solicitation methodologies in the procurement of aviation services, submits an assessment of the pilot project for electronic tendering, provides an update on the development of the Award Review Board and the Vendor Review Committee, reports on intensified efforts to promote procurement from developing countries and countries with economies in transition and provides an update on the functions of the Regional Procurement Office. In addition, pursuant to the request by the Advisory Committee on Administrative and Budgetary Questions expressed in its report (A/69/809), the Secretary-General has included information on progress on refining the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations.

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I. Introduction

1. The Procurement Division in the Office of Central Support Services of the Secretariat is the largest and most experienced procurement organization in the United Nations system and, beyond its critical support role for the acquisition of goods and services at Headquarters, needs to have its role strengthened as a strategic partner of the supply chain for peacekeeping and special political missions, offices away from Headquarters, tribunals and regional commissions. The modernized approach to procurement entails strategic interaction and cooperation across departments, locations, operational mandates and budget cycles. Given its experience and leading role, the Division provides support to procurement operations worldwide, provides guidance and oversight to various procurement offices and delivers training to an extensive community of United Nations procurement officials.

2. The 2014 and 2015 annual statistical reports on United Nations procurement, produced by the United Nations Office for Project Services (UNOPS), illustrate a continuing increase in the total procurement of goods and services in support of mandates of the United Nations system. In 2014, the overall procurement volume increased to $17.2 billion from $16.1 billion in 2013, and it increased further, to $17.6 billion, in 2015. Similarly, with a share of approximately 18-19 per cent of the total United Nations system, the procurement volume of the Division shifted from just under $3.0 billion in 2013 to $3.2 billion in 2014 and $3.1 billion in 2015. An analysis of the major commodities shows that air transportation services, fuel, petroleum products and food rations in support of field missions were the highest value acquisitions in 2014 and 2015.

3. Multifaceted and innovative procurement tools, regional capacity and dedicated client support characterized recent service provision and will figure prominently in the future. The implementation of Umoja, the enterprise resource planning system, removes location-based operational barriers, allows for harmonized processes and enables reporting and real-time management of procurement activities regardless of location. The strategic direction of procurement in the Secretariat will be aligned with the objectives of the global service delivery model, thereby leading to a strong procurement organization and, as a result, the potential for optimized benefits in the context of Umoja and beyond.

II. Towards a global Secretariat procurement system

A. Governance of United Nations procurement

1. Provision of effective and efficient acquisition services at Headquarters and in hubs and field offices

4. Following the implementation of Umoja, the Secretariat, noting such other initiatives as the global field support strategy, the supply chain management strategy and actions resulting from the report of the High-level Independent Panel on Peace Operations, is now strategically positioned to re-examine its procurement operations. Against this background, the Office of Central Support Services, in alignment with the objective of the global service delivery model to provide more

cost-effective services to clients, is reviewing, in close consultation with clients and stakeholders, adjustments to the governance framework, organizational structure and distribution of procurement offices worldwide, with a focus on client orientation and efficiency gains.

Regional procurement in the context of service delivery

5. Previous reports of the Secretary-General, most recently, A/69/710, outlined the governance, structure and key activities of the Regional Procurement Office in Entebbe, Uganda. The General Assembly's decision, in its resolution 69/273, to establish the Office as a regular office within the Procurement Division of the Secretariat will enable the Secretariat to continue to benefit from a regional procurement office and encourages the Secretariat to develop further options to maximize effective and efficient service provision with a robust regional component.

6. Recent data studies undertaken by the Division have shown that the vast majority of Secretariat procurement expenditure is generated through contracts (global and regional systems contracts as well as regular contracts) established by the Procurement Division and the Regional Procurement Office (77 per cent of total expenditure in 2015). Procurement staff located in field missions conduct primarily transactional procurement functions and relatively low-value local procurement (15 per cent of total expenditure, with the remaining 8 per cent stemming from offices away from Headquarters, tribunals and regional commissions). At the same time, the majority of procurement staff (57 per cent) are currently located in and attached to field missions. Of the remainder, 24 per cent are in the Procurement Division and 19 per cent are in offices away from Headquarters, tribunals and regional commissions. This indicates an imbalance of resources leading to inefficiencies and the need to consider structural changes. In addition to the ongoing periodic analysis of the current functions and regional role of the Regional Procurement Office, the Office of Central Support Services, in consultation with stakeholders, is looking into enhanced measures, including but not limited to structural composition, in order to further streamline procurement services rendered by the Regional Procurement Office in central and eastern Africa.

7. A United Nations procurement organization with hubs that are not strictly location-bound performing procurement functions for the relevant missions, along with a realignment of resources to match workloads, would better serve the Organization's interests. A phased approach towards this goal is recommended, to develop a proposal for the consolidation of local offices within the framework of the global service delivery model. One step in this direction, and an early indicator of consolidation potential, is the example of governance adjustments for procurement activities at the United Nations Office at Nairobi, as described below.

Offices away from Headquarters forming part of a global procurement system

8. Given the audit recommendations outlined in the 2012 report of the Board of Auditors (A/67/5, Vol. I), and with the introduction of Umoja in 2015 allowing further harmonization of procurement processes, it was decided to channel all procurement and financial transactions of the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme

(UN-Habitat) and the Office for the Coordination of Humanitarian Affairs through Umoja. This meant that those programmes needed to be aligned with the procurement processes and procedures of the Secretariat.

9. Following a number of audit recommendations, and significant consultation and negotiation, the Under-Secretaries-General of the United Nations Office at Nairobi, UNEP and UN-Habitat agreed on the way forward proposed by the Assistant Secretary-General for Central Support Services. Service-level agreements were signed with UNEP and UN-Habitat in November 2014 and March 2015. The Division also established standard operating procedures and allocated required resources to provide timely guidance and support to each entity.

10. The global procurement system project allows for greater visibility of procurement action, including by taking a more strategic view of all procurement undertaken by the Secretariat. Because of the diverse nature of their operations, the above-mentioned programmes will benefit from access to the Division's contracts with clients in the United Nations system and to local contracts from the peacekeeping missions and offices away from Headquarters. Furthermore, the project is being used to pilot an approach to providing procurement support to the programmes that leverages Umoja and makes use of the capacity of the Secretariat's procurement offices at the locations where the goods and services are required. In undertaking this process, it is expected that the lead time for procurement in many instances will decrease as the agencies utilize the existing contractual network used by the Division, the offices away from Headquarters and the missions. In order to ensure that minor procurement activities could be performed at the local level without having to refer to Headquarters, limited delegation of authority was also given to some offices of UNEP, the Office for the Coordination of Humanitarian Affairs and UN-Habitat. Such delegation was contingent on staff completing the mandatory procurement training, which is in line with the same principles applied at Headquarters.

11. A meeting of the Nairobi Services Board was held in January 2016, at which progress was discussed, including in the area of procurement. The various agencies involved confirmed that the new arrangement generally worked well in the area of sourcing to acquire goods and services. The Director-General of the United Nations Office at Nairobi, on behalf of the Board, commended the successful implementation of the procurement model and recommended that the arrangements put in place with respect to the Office be replicated elsewhere to establish a consistent global procurement model at all offices away from Headquarters.

Procurement services under the "One United Nations" initiative

12. In order to optimize service delivery, client orientation and efficiency in the provision of procurement services, the Secretariat foresees the provision of more consolidated support to field missions, offices away from Headquarters, tribunals and regional commissions as an eventual scenario. The explanations provided above illustrate the need to review the governance structure, and the Office of Central Support Services has begun the consultation process accordingly.

2. Alignment of procurement authorities and accountability standards

13. The delegation of procurement authority plays an instrumental role in establishing the levels of authority and accountability for the respective offices and officials of the Secretariat. As a consequence of the roll-out of Umoja, the Secretariat has adopted a more integrated governance framework and process for the management of procurement and has accordingly revised the delegation structure. As a result, on an interim basis, the Chief Procurement Officer for the United Nations Office at Nairobi reports to the Procurement Division on procurement matters. Procurement cases originating from UN-Habitat and UNEP are managed by buyer-supervisors in Nairobi and New York, pursuant to the service-level agreements executed by the United Nations Office at Nairobi, UN-Habitat and UNEP.

14. Consistent with that approach and reflecting the greater transparency and reduced risk resulting from the implementation of Umoja, thresholds were increased effective June 2015. The threshold for the Director of the Procurement Division has been increased to $1 million, and thresholds for other Division officials (P-4 to D-1) increased accordingly. All cases above $1 million are decided by the Assistant Secretary-General for Central Support Services following review by the Headquarters Committee on Contracts, except in the United Nations Offices at Geneva and Vienna where, pending alignment with the new Nairobi model, the threshold currently remains at $5 million. As an example of the efficiencies this has generated, the change in the procurement thresholds for the Chief Procurement Officer in Nairobi and the buyer-supervisors has resulted in immediate efficiency gains, in terms of timeliness to fulfil clients' needs, as prior to Umoja, all cases for the United Nations Office at Nairobi, UNEP and UN-Habitat valued at $200,000 were subject to vetting by the local committee on contracts.

3. Cooperation with other United Nations organizations

15. The General Assembly had previously encouraged the Secretary-General to further strengthen the management and coordination of United Nations operational activities. The Procurement Division has been part of various initiatives that exemplify the Secretariat's collaboration with other United Nations entities.

Joint vehicle procurement

16. As recommended by the Joint Inspection Unit in paragraph 246 of its note on procurement reforms in the United Nations system (JIU/NOTE/2011/1), the High-level Committee on Management Procurement Network initiated a project to explore the opportunities of collaborative procurement of vehicles on behalf of various United Nations organizations. As an illustrative example of joint procurement efforts, in the period 2014-2015, the Division led an international competitive tender to provide for all passenger vehicle categories (four-wheel-drive station wagons, sedans, minibuses, buses and pickup trucks), defined by a joint technical team in support of all United Nations missions and entities worldwide, based on common vehicle requirements and the consolidation of estimated procurement volumes. The project continues to be coordinated by the United Nations Development Programme, with the support of an external consultant providing overall project management assistance. The resulting contracts include

full after-sale support to the United Nations fleet for the entire life cycle of the vehicles. A contract for some of the four-wheel-drive station wagons, minibuses and buses was signed in 2015. The tender issued in October 2016 includes passenger vehicle categories for which requirements have changed, as a result of lessons learned during the first joint tender, and a new crossover utility vehicle category to complete the range of vehicles available to support the whole United Nations system.

World Food Programme joint shipping cell

17. To improve supply chain synergies on a global level, in 2013, the Secretariat entered into a framework agreement with the World Food Programme (WFP). The agreement served as a statement of intent to jointly identify and pursue initiatives that result in a more effective, efficient and coherent approach to supply chain operations. In 2015, an opportunity was identified to develop a joint shipping cell between the Secretariat and WFP.

18. The joint shipping cell is expected to jointly contract ocean freight services for the movement of goods from commodity vendors at the ports of exit to the field, with the aim being efficiency gains and the possible reduction of costs and contracting time. The project will provide an opportunity to reduce costs through the consolidation of goods for the United Nations field missions, combined with the WFP shipping volume, which will result in better leveraging of freight and chartering rates. As a pilot project, the joint shipping cell is to focus on one seaport of debarkation, Mombasa, Kenya, for the East Africa corridor, for select commodities and field missions.

19. By the end of the pilot project, in 2017, the Secretariat and WFP are expected to complete the testing of revised shipping modalities for United Nations-owned equipment and analyse the cost benefits of joint shipping contracts. The gain in visibility of shipments will have been measured, and the modalities for reception and best modes of operation in discharge ports will have been tested and identified. The lessons of the pilot project will inform a decision on whether or not to continue with the joint shipping cell and, if so, whether to expand it beyond its initial limited scope.

United Nations Office for Project Services

20. In August 2014, the Secretariat and UNOPS signed a memorandum of understanding, replacing an earlier one, for cases in which the Secretariat may require UNOPS to provide project implementation support services. The new memorandum of understanding defines more clearly the roles and responsibilities for cooperation between the two entities. Based on advice from the Office of Legal Affairs, engagement with UNOPS for project support, for the purpose of implementing Secretariat programmes and activities, is now being taken forward, in accordance with financial regulation 5.1 and financial rule 105.3, under the authority of the Controller and no longer in accordance with the financial rules for procurement, namely, under the authority of the Assistant Secretary-General for Central Support Services, unless specific circumstances so warrant. In November 2014, the Controller issued supplementary guidance, as contemplated in the memorandum of understanding with UNOPS, and agreed to consult with the

Assistant Secretary-General on all financial agreements in which the monetary value exceeded the amount of $3 million.

4. Oversight and compliance: training and professionalization of the procurement function

Compliance monitoring programme

21. The Division's compliance monitoring programme continued to promote adherence, at Headquarters and in the field missions, to the United Nations Financial Regulations and Rules and the United Nations Procurement Manual. The success of the Division's compliance monitoring programme in the missions was formally acknowledged by the Office of Internal Oversight Services (OIOS) in its report dated 7 February 2013, in which it recommended that the programme be expanded to include offices away from Headquarters, regional commissions and tribunals.

Award Review Board

22. The General Assembly, in its resolution 69/273, welcomed the continuation of the independent procurement challenge system, the Award Review Board, and its phased expansion. It requested the Secretary-General to provide, in his next report, an update on the development of the Board, including the feasibility of lowering the financial threshold for vendors to submit a procurement challenge.

23. From October 2014 to May 2016, the Procurement Division at Headquarters and at the Regional Procurement Office issued 769 solicitations. During this period, 19 procurement challenges were received by the Registrar of the Award Review Board. Of that number, 11 challenges were not accepted because they did not meet the criteria established for review. Of the remaining eight challenges received, six were reviewed by Board experts and two were withdrawn by the vendors. The Under-Secretary-General for Management accepted the Board experts' recommendations to deny the challenges in five of the six cases. In the sixth case reviewed, the expert recommended that one aspect of the challenge be denied but a second aspect sustained, while offering no remedy to the vendor. The Under-Secretary-General for Management did not approve the recommendation to sustain the challenge but decided to shorten the duration of the contract that had been awarded.

24. The Award Review Board was established to review whether vendors' submissions were treated correctly and evaluated fairly, yet a number of procurement challenges have focused on issues beyond this scope.

25. Expansion of the coverage of the Award Review Board to include offices away from Headquarters (Geneva, Vienna and Nairobi) has been initiated for solicitations issued since 1 January 2016. As at the time of writing, no challenges had been received on solicitations originating in offices away from Headquarters. It was therefore too early to evaluate the impact of the first phase of expansion. In anticipation of the expansion, however, the Procurement Division developed training materials aimed at increasing the capacity of procurement staff who debrief vendors in order to ensure that vendors' questions and concerns are appropriately addressed at an early stage. It is important that consideration of any further

expansion of the Board be undertaken only after the debriefing process has been fully developed in those locations. It is also intended that any further expansion be preceded by a review of the terms of reference of the Board in the light of experience gained to date.

26. In 2014, the threshold for Award Review Board eligibility was lowered to include contracts exceeding $200,000 in value. At the time of writing, all the cases reviewed by independent experts had involved contracts of large value, in excess of $1.6 million. The Award Review Board involves a formal process that engages independent experts who receive compensation for their work. With respect to the feasibility of further lowering the financial threshold for vendors to submit a procurement challenge, the efficient use of resources suggests that experts should be engaged only to review challenges of high-value contract awards.

Professionalization of the Procurement Practice Group

27. The Procurement Division continues to offer courses to procurement, requisitioning and contract management offices at the basic and intermediate levels in its online Procurement Training Campus. Certification at the basic level is mandatory for procurement staff throughout the offices of the Secretariat; these courses are also open to all staff members of the United Nations and United Nations-affiliated organizations. Since 2014, intermediate-level courses have been offered in various areas, including acquisition planning, contractual issues in purchasing and contract management.

28. Since 2007, the Division has provided basic-level face-to-face training to 1,360 staff members at Headquarters and in external offices. As at November 2016, 7,698 certificates had been issued through the Procurement Training Campus to staff members of the United Nations common system, as follows: 723 to staff members from Headquarters, 414 to staff members from offices away from Headquarters, 5,234 to staff members from the peacekeeping and special political missions and 1,327 to staff members from other offices, agencies and programmes.

29. In furtherance of its objective of professionalizing procurement practitioners, the Procurement Division, subject to adequate funding, continues to enrol staff members from Headquarters and the missions in external training courses leading to professional accreditation by the Chartered Institute of Procurement and Supply, an internationally recognized procurement training institution. In addition, the Division continues to provide staff with opportunities to enhance their professional competence in specialized areas.

30. In the context of the professionalization of the Procurement Practice Group, the recommendation of the Board of Auditors that the Administration continue its efforts to develop a career path for procurement professionals (A/70/5 (Vol. I), chap. II, para. 142) and the creation of an integrated supply chain system with the deployment of Umoja and other initiatives following the implementation of the global field support strategy, the Office of Central Support Services has been discussing the young professionals programme with the Office of Human Resources Management to ensure that the Organization recruits, at the P-1 and P-2 levels, the talented and highly qualified professionals that are needed in procurement, logistics, supply chain management, contract management and other related administrative and mission support functions. Specifically, the Division is consulting with the

Office of Human Resources Management on the inclusion of procurement in the design of the young professionals programme for administration, planned for the period 2017-2018.

B. Information systems and business intelligence

1. Implementation of Umoja and its impact on procurement

31. The deployment of the Umoja system at Headquarters, as part of the cluster 4 migration, has eliminated the need to manage and maintain two separate systems, namely, Umoja and the legacy systems. The implementation related to the procure-to-pay process, covering the full range of transactions from ordering to payment, was a significant milestone. Under Umoja, the Division has now migrated to a single vendor database for the entire Secretariat, harmonized contract documentation (purchase orders and solicitation documents) in a single form used in all locations and created a truly global system that allows for a consistent workflow regardless of location or organizational unit.

32. A global commercial supplier database, combined with rigorous codification of the types of goods and services procured by the Organization, reinforces the holistic visibility of business relationships and improves opportunities for negotiating more favourable terms. Furthermore, the procure-to-pay process has the potential to yield discounts from vendors, such as prompt payment discounts. In many cases, such provisions have already been included in contractual agreements. With the current increased ability to monitor the verification of goods and services, the certification of invoices and the status of payments, the Organization will be able to redouble its efforts to further negotiate with vendors the best terms and conditions for payment.

33. The focus of the Division over the next year will be to analyse the operations of various procurement units that are now using Umoja, in order to ensure that buying power is maximized, and to analyse any technical, operational and structural barriers to efficiency that exist within current operations. This effort is key to the realization of benefits from Umoja and will allow the Division to consider enhancements that will increase efficiency and make reporting more transparent.

34. Since providing information on the new reporting and analysis capabilities in the previous procurement report (see A/69/710, paras. 34 and 35), the Procurement Division, in collaboration with stakeholders such as Umoja teams, requisitioning offices and field procurement personnel, has put considerable effort into providing tangible benefits resulting from the availability of Umoja enterprise data in the form of reports that can be configured and executed, with minimum effort, directly by non-technical end users. The following reports have already been made available at the time of writing: contract utilization, outstanding deliveries, pending shopping carts and vendor solicitation activity.

35. The Division, furthermore, acts as a critical supply chain focal point in several Secretariat initiatives initiated in 2015 and 2016. Functional requirement documents have been developed as inputs for the Umoja project team, outlining business needs in the following areas: source-to-acquire performance measurements, shopping cart life cycle, vendors' commodity group share and price trend analysis. The Division

has provided support to the Umoja project team in terms of assistance and guidance with the development of a new semantic layer that will improve reporting by providing a business representation layer using business terminology on top of the enterprise data. The Division remains committed to the goal of providing cross-cutting and Organization-wide data analytics capability so as to ensure the delivery of intuitive, cross-functional and efficient reporting that meets the needs of the Umoja user community at large.

36. Umoja also introduced the capacity to enhance the visibility of information on vendors awarded contracts and purchase orders. At the time of writing, the Division was publishing on its website all Headquarters and peacekeeping awards over $40,000. Work was ongoing to expand this to include awards by offices away from Headquarters, regional commissions and tribunals.

2. Electronic tendering

37. The Procurement Division initiated an e-tendering pilot project in 2014. The e-tendering solution allows for certain elements of the solicitation exercise to be processed electronically. These include the delivery of tender documents to invited vendors through their United Nations Global Marketplace account, tender questions and answers along with acknowledgements, Marketplace-integrated submission of offers by suppliers and electronic opening of supplier submissions. The main objectives sought by the Division in adopting this new tender submission mechanism are efficiency gains, reduced printing and storage requirements, increased competition, "anytime, anywhere" participation in solicitations by suppliers, more time for suppliers to prepare tenders and enhanced internal controls.

38. Since March 2015, the Division's Communications and Information Technology Procurement Section has issued requests for quotations through an e-tendering solution. The United Nations Office at Geneva and the United Nations Global Service Centre in Brindisi, Italy, joined the e-tendering pilot in May and June 2015, respectively. In January 2016, the Division's freight forwarding team joined the pilot, and all its requests for quotations are now processed through the system.

39. In order to assess the Secretariat vendor community's position on an e-tendering solution, an overall outreach effort was conducted, aimed at all registered vendors. A total of 2,164 vendors responded to the survey. The vast majority of vendors, or more than 81 per cent, expressed support, while 16 per cent expressed neutrality and less than 3 per cent expressed a negative view on e-tendering, with a preference indicated for submission by e-mail.

40. After the conclusion of each e-tendering exercise, a survey was submitted to all invited vendors. The responses received as at March 2016 depicted a generally positive reception of the e-tendering system among the vendor community. Overall, the user-friendliness of the system was confirmed by 82 per cent of the vendors ("very user-friendly" and "extremely user-friendly").

41. As at March 2016, three offices, namely, the Procurement Division, the United Nations Global Service Centre and the United Nations Office at Geneva, had processed a total of 110 e-tendering exercises, resulting in the submission of 1,617 offers by 644 distinct vendors from 63 different countries. A total of 142 distinct

vendors from 40 different developing countries or countries with economies in transition had submitted offers through the e-tendering platform, and this number was expected to increase substantially as the e-tendering pilot project is extended to other commodities and to the field missions.

42. A comparison of requests for quotations in the area of information and communications technology (ICT) processed through the new system with the 20 most recent requests for quotations conducted outside of the e-tendering platform indicates that e-tendering solicitation exercises benefit from a higher average number of both invited vendors (10.80 versus 7.55 previously) and responding vendors (3.97 versus 3.05 previously).

43. The gradual increase of the pilot project's scope has provided valuable lessons while avoiding unfavourable impacts on the vendor community. It has been determined that vendor outreach is critical before the e-tendering pilot is extended to additional procurement teams; a comprehensive information campaign has therefore been conducted and clear instructions on the use of the system provided. The campaign is continuing.

44. Further steps include a selective use of e-tendering for invitations to bid and requests for proposals and the roll-out of e-tendering to other Division teams. However, extensive testing of the system and assessments of any impacts are envisaged before such further action is taken.

3. Further enhancements in information technology support systems

45. With the objective of facilitating equitable participation in solicitation exercises by vendors worldwide and increasing competition, the Procurement Division publishes requests for expression of interest on the United Nations Global Marketplace, the Division's Internet site and mobile applications. This allows suppliers to stay informed of upcoming solicitation exercises and to express their intent to participate.

46. The publishing of requests for expression of interest is already a highly automated process managed by the Procurement Division, utilizing a minimum amount of human resources, and is used by Secretariat offices and field missions worldwide. The Division published a total of 1,143 such requests in 2014 and 1,248 in 2015.

47. While the publishing itself is highly automated, responding to a request for expression of interest is still a manual process whereby the vendor needs to fill out a response form, which is then sent in by e-mail or fax. The current approach to compiling vendor responses by the procurement officers is also a manual, time-consuming and often error-prone process.

48. In order to increase efficiency for both vendors expressing interest and procurement staff needing to compile response data, the Procurement Division has developed a feature on its Internet site and mobile applications to enable vendors to respond electronically to the requests for expression of interest of their choice using an online form. At the closing of the response window, procurement staff will be able to download a compiled list of all vendor responses through the website.

49. Given that the system development is already finalized, at the time of writing, the Procurement Division expected to launch these enhancements before the end of 2016.

4. Standards in information and communications technology procurement

50. The Office of Central Support Services continues to work with the Office of Information and Communications Technology to address issues related to the procurement of technology for the Organization. As noted in the previous report (A/69/710), the Office of Information and Communications Technology is working to create a compliance and governance framework for the use of ICT resources, and the Office of Central Support Services is working to support that effort. While this effort is ongoing, it is envisaged that the capabilities of the Umoja system will enable the Division to create a distributed function to support procurement for ICT requirements. A dedicated section within the Division, with its Chief position having recently been reclassified from a P-4 Procurement Officer to a P-5 Chief of Section (resolution 70/287), supports ICT requirements. As the new operational framework for procurement operations is defined, a dedicated group will work to ensure that procurement in the areas of technology and communications is enacted within the governance framework established by the Office of Information and Communications Technology. While this effort is ongoing, benefits are already being realized, as offices that were previously using different technology products (laptops) have been standardized to a single product through the Umoja system.

C. Sourcing from global markets

1. Global outreach activities facilitating vendor participation

51. While continuing its multifaceted supplier outreach programme, the Procurement Division has made significant efforts to facilitate equitable participation by vendors worldwide in the United Nations procurement process. Notable examples of such initiatives include the e-tendering pilot as well as the new website feature for requests for expression of interest, as described herein.

52. In addition to "live" interactive events, such as business seminars offered by the Secretariat (see table below) and "train-the-trainer" sessions for Member States and chambers of commerce, the Procurement Division actively participates in the outreach initiatives of the High-level Committee on Management Procurement Network, such as virtual business seminars that give suppliers who are unable to attend events in person access to information similar to that provided during live events.

Business seminars offered by the Secretariat

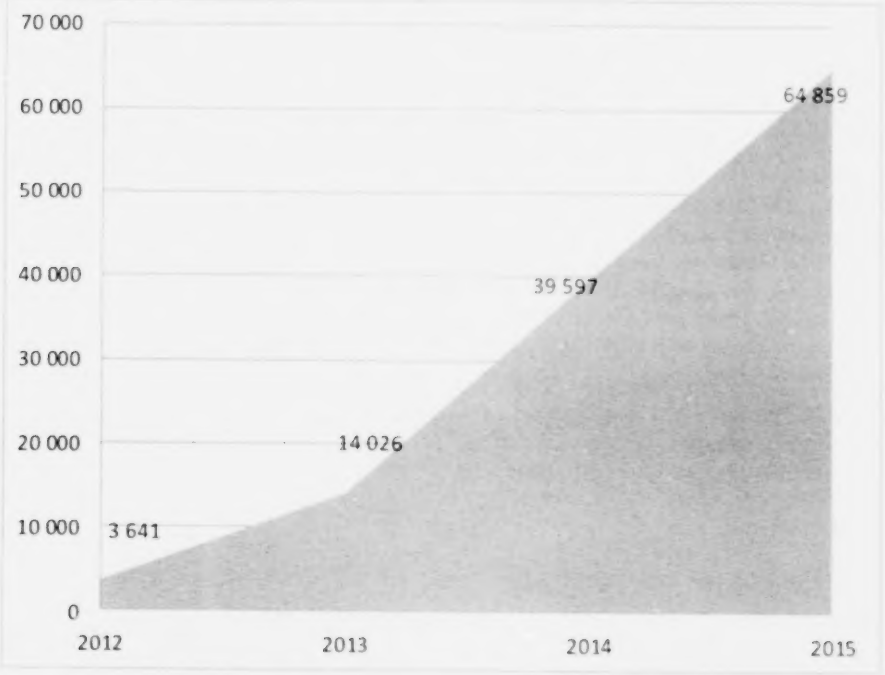
Year	*Business seminar location*	*Events*	*Vendors in attendance*	*Joint events organized with other agencies*
2014	Developing and transitioning countries	37	3 244	10
	Industrialized countries	20	1 257	12
Total, 2014		**57**	**4 501**	**22**

Year	Business seminar location	Events	Vendors in attendance	Joint events organized with other agencies
2015	Developing and transitioning countries	35	2 007	17
	Industrialized countries	19	1 043	8
Total, 2015		**54**	**3 050**	**25**

53. The United Nations Global Marketplace serves as the common vendor registration portal for all Marketplace member entities, including the Secretariat. With the intention being to increase efficiency and supplier participation in upcoming solicitation exercises, the Procurement Division has adopted a new supplier portal allowing basic-level suppliers to register with minimal effort by providing only the most essential company information, while the two additional qualification levels continue to provide for more stringent registration requirements and associated due diligence for contract award values exceeding certain thresholds (with risk mitigation based on contract value). This streamlined registration system has resulted in a considerable increase in the number of vendors registered with the Secretariat in the Marketplace (see figure I).

Figure I

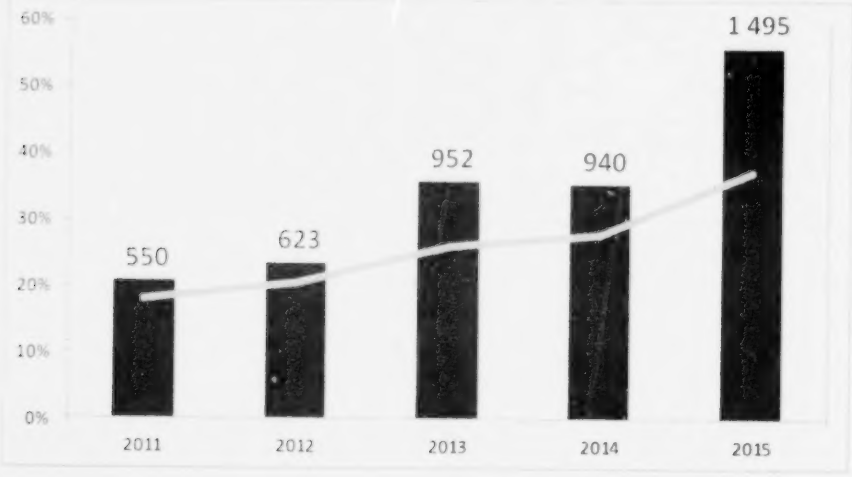
Number of Secretariat-registered vendors in the United Nations Global Marketplace as at December 31 of each year (cumulative)



2. Procurement from developing countries and countries with economies in transition

54. Ensuring access to business opportunities for vendors from developing countries and countries with economies in transition remains a high priority for the Organization. Through vendor outreach activities and the upgrading of the vendor registration portal, there has been a steady increase of vendors from non-industrialized countries participating in the solicitations issued by the Procurement Division (see figure II).

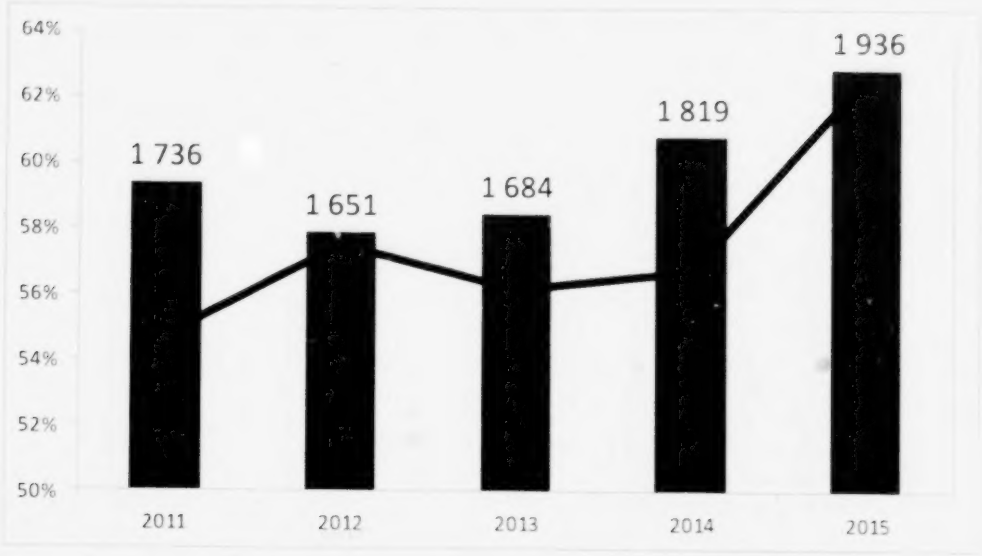
Figure II
Number of participating vendors from non-industrialized countries



55. The substantial increase since 2013 was due mainly to the introduction of basic-level registrations and to the establishment of the Regional Procurement Office, which provided on-site vendor registration support to regional vendors. The increase was also due to the incorporation of live registration sessions in business seminars, made possible by the introduction of the basic-level registrations, so that vendors can be registered during such events and immediately be able to participate in solicitations.

56. The increased participation of such vendors also resulted in an increase in business awarded to suppliers from developing countries and countries with economies in transition (see figure III).

Figure III
Total procurement from non-industrialized countries
(Millions of United States dollars)



3. Vendor Review Committee

57. The Vendor Review Committee serves as a review board for vendor roster applications that do not meet the registration criteria and for complaints from requisitioners and/or other United Nations staff against vendors alleged to have failed to perform in accordance with the terms and conditions of contracts awarded.

58. In addition, the Vendor Review Committee places special emphasis on upholding the United Nations Supplier Code of Conduct. In consultation with the Ethics Office, the Office of Legal Affairs and OIOS, the Committee examines the registration status of vendors who engage in proscribed practices, including corruption, fraud, coercion, collusion, obstruction or any other unethical practices, and makes recommendations to the Assistant Secretary-General for Central Support Services.

59. During the five-year period from 2011 to 2015, there were 125 instances in which the Committee reviewed allegations of proscribed practices. These involved 73 vendors and resulted in a decision by the Assistant Secretary-General to suspend 20 vendors. Other recommendations made by the Committee have included censure, referring the case to the Office of Legal Affairs for contractual remedies or referring the case to OIOS for investigation. In addition, there were 68 instances in which the Committee deliberated on the reinstatement of 41 vendors.

60. As a result of the centralized vendor roster and the associated control mechanisms in place, the Vendor Review Committee experienced a sharp increase in

the number of electronic cases (special approvals) processed: 10 in 2011, 23 in 2012, 38 in 2013, 40 in 2014 and 62 in 2015.

61. Work is currently ongoing to align the Secretariat's framework for actions on vendor registration status with the model policy framework for vendor eligibility adopted by the High-level Committee on Management Procurement Network in the areas of harmonizing sanction terminology and establishing a transition policy for vendor sanctions predating the model policy framework.

4. Continuous change initiatives in procurement operations

62. In the context of sourcing from global markets and with the aim of continuously improving procurement practices to align with industry standards, the Secretariat is pursuing a number of initiatives in key areas of its operations, in line with the principles of United Nations procurement and in close collaboration with the requisitioners.

Solicitation methodologies in the procurement of long-term aviation services

63. The transition towards request for proposal-type solicitations for long-term air charter services is ongoing. Taking into account lessons learned from the pilot request for proposal exercise conducted for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) and the post-request for proposal aviation conference held in New York in April 2015, which was attended by more than 70 companies, two request for proposal exercises are currently being carried out, in the United Nations Mission in South Sudan (UNMISS) and the African Union-United Nations Hybrid Operation in Darfur (UNAMID), and more are planned for 2017.

64. Compared with the invitation to bid methodology, the request for proposal method is aimed at providing long-term aircraft services solutions using performance-based specifications for a complete service package from the most responsive tenderer, in accordance with the "best value for money" principle, rather than by seeking a fixed number of specific air assets from the lowest-cost technically compliant bidder. The implementation of the request for proposal method fosters international competition, aligns with best practices in the aviation industry and takes into account the total cost of ownership, including fuel costs. Aviation safety aspects remain a high priority for the United Nations and are explicitly evaluated in request for proposal exercises using a points-based system. Challenges involved in the request for proposal method, as opposed to the invitation to bid method, include a more comprehensive definition of the requirements, based on logistical needs rather than predetermined types of aircraft, and a more thorough proposal evaluation process. This, in turn, requires the building of further capacity in the Department of Field Support.

65. A review of the first few months of operations under the contracts for MONUSCO resulting from the request for proposal methodology revealed that benefits are maximized when requirements are defined in a holistic manner, based on a fleet of various aircraft. Future requests for proposals will therefore aim to cover a wide scope of long-term air charter requirements for field missions, whenever possible.

After-sales support in vehicle contracts

66. The procurement of vehicles has been integrated with the after-sale support required during the entire lifetime of these assets. Accordingly, terms and conditions in systems contracts for vehicles now include such full after-sale support, and as a result, the supply chain has been streamlined. Missions, offices away from Headquarters and other entities now have access to centralized price lists in Umoja for ordering spare parts, maintenance tools, technical vehicle documentation, training and technical support directly from vehicle contractors. These price lists are routinely updated by the Division in accordance with the terms agreed in the contracts, which has eliminated the need for ad hoc requests for quotation issued before each order by each entity. This centralized system cuts down on the ordering process timeline by 90 per cent, from 20-30 days for the request for quotation process and purchase order to 2-3 days for direct issuance of the purchase order. In addition, up-to-date spare parts numbers in centralized price lists allow for more accurate and expeditious identification of the spare parts required. Moreover, missions may contact the vehicle contractors directly when in urgent need of limited quantities of spare parts, so as to identify available stock at nearby dealers, minimizing vehicle downtime.

III. Evolving business practices and developments affecting Secretariat procurement

A. Harmonization of procurement practices

67. The High-level Committee on Management Procurement Network provides a collaborative platform for procurement functions within the United Nations system and facilitates the harmonization of procurement processes based on best practices in supply chain management. From 12 to 14 April 2016, the Procurement Division hosted the nineteenth session of the High-level Committee on Management Procurement Network, at which topics including professional development and contract management, as well as the activities of the Working Group on Strategic Vendor Management, were discussed.

68. The objective of the Working Group on Strategic Vendor Management is to establish a road map for vendor management shared across the different procurement functions of the United Nations system. Since its inception in September 2014, the Working Group has promoted a common vision on strategic vendor management through partnership and collaboration, knowledge-sharing and harmonization, vendor access facilitation and technical development.

69. One current initiative of the Working Group on Strategic Vendor Management is the development of a virtual business seminar area for vendors. This space on the United Nations Global Marketplace will provide vendors with information typically disseminated at business seminars, which will be beneficial to vendors unable to attend a business seminar in person. The virtual business seminar area is intended to be a dynamic communication platform allowing individual United Nations system entities to update vendors on their procurement needs, portfolio, active tenders and procedures.

B. Major Secretariat initiatives

70. In its report (A/70/95-S/2015/446), the High-level Independent Panel on Peace Operations highlighted challenges in the support of United Nations peace operations and stated that four essential shifts must be embraced for real progress to be made and better results achieved: (a) politics must drive the design and implementation of peace operations; (b) the full spectrum of United Nations peace operations must be used more flexibly to respond to changing needs on the ground; (c) a stronger, more inclusive peace and security partnership is needed for the future; and (d) the Secretariat must become more field focused and peace operations more people centred.

71. The Secretary-General, in his report on the future of United Nations peace operations (A/70/357-S/2015/682), announced the development of standing administrative measures for start-up and crisis situations, which are to apply for six months on a renewable basis upon the establishment of a peace operation or confirmation of a crisis or emergency in the field. The Procurement Division has participated in working group meetings in which flexible arrangements, such as emergency delegations, cooperation with other United Nations entities and increases in monetary procurement thresholds, have been discussed. The standing administrative measures were finalized in March 2016.

72. Having started as one of the four pillars of the global field support strategy, the supply chain management strategy will be rolled out by the Department of Field Support in the years ahead. The supply chain management strategy is guided by the vision to implement and maintain an agile and well-managed supply chain that effectively and efficiently supports clients in field missions. The Department is currently working on four supply chain projects: (a) an acquisition planning project; (b) an Incoterms project; (c) an East Africa corridor project; and (d) a centralized warehousing project.

73. The Office of Central Support Services is actively supporting these initiatives, in particular in the areas of acquisition planning and defining requirements, as these have a significant impact on the outcome and efficiency of the procurement process.

74. The Office of Central Support Services and the Department of Field Support will work closely together to ensure that the supply chain management strategy not only meets the Department's needs, but also satisfies the operational requirements of the entire Secretariat worldwide. While efficiency, responsiveness and agility will be key to successful supply chain management, the strategy must also ensure that proper controls and strong governance are built in. One such fundamental control is the principle of segregation of duties in the procurement function, which is not only a core principle of public procurement but is essential to the protection of the Organization from the risks associated with fraud and corruption.

C. Global trends

1. New technologies introduced through technology and innovation fairs

75. The Procurement Division, in cooperation with the Department of Field Support, has conducted technology fairs with the aim of introducing to United

Nations officials new products, ideas, designs, concepts and technologies that can be used to meet United Nations field requirements. To date, two technology fairs have been held, one in New York, on 20 March 2014, and one in Valencia, Spain, on 23 and 24 April 2015. Such interactions between United Nations officials and vendors presenting new technologies help to keep the Secretariat abreast of critical product developments, which is extremely important for field operations.

76. As a result of the fair held in Valencia, two pilot projects have been undertaken to test products in United Nations field environments with minimal investment. A pilot project based on waste incineration technology was undertaken to address the mounting challenge of waste processing and management in peacekeeping missions. Similarly, a pilot project is being carried out at UNMISS to address the need for robust portable temporary living facilities for rapid troop and personnel deployment in remote areas.

77. On the basis of the above pilot projects, the United Nations will be able to gather and analyse technical data in order to determine the suitability of the technology and develop the necessary generic specifications that will be used to competitively source similar products in the open market. The Procurement Division is ready to initiate similar events in future, subject to the support of the Department of Field Support.

2. Update on efforts to eliminate the negative impact of United Nations facilities and operations on the environment

78. In paragraph 96 of the annex to General Assembly resolution 66/288, entitled "The future we want", Member States requested the United Nations system to improve the management of facilities and operations by taking into account sustainable development practices, in accordance with legislative frameworks, including financial rules and regulations. Recalling this, in its resolution 70/205, the General Assembly requested the Secretary-General to submit an action plan with the specific goal of achieving a United Nations that does not, through its operations or facilities management, have a negative impact on the climate, to be reached as soon as possible or by 2020. The plan, providing details of environmental management systems, is to be submitted to the Assembly at its seventy-first session.

79. As at November 2016, 28 out of 66 United Nations entities reported having various types of emission reduction plans, including environmental management systems. In September 2015, Member States adopted the 2030 Agenda for Sustainable Development, including target 12.7, to promote public procurement practices that are sustainable, in accordance with national policies and priorities. The procurement of goods and equipment to support the implementation of mandates for improved environmental management within the United Nations continues in accordance with the general principles stipulated in financial regulation 5.12, namely, best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations.

80. In line with the current guidance, the Secretariat is reviewing efforts to reduce its negative environmental impact, including through the use of more energy-efficient infrastructure and transport, increased use of renewable energy, especially solar power, and improved waste management systems. It is noted that the use of generic specifications and non-mandatory evaluation criteria fosters international

competition for products and technologies, while life cycle costing is consistent with the procurement principle of best value.

IV. Conclusion

81. **On the basis of its professional expertise and experience, the Procurement Division has maintained and enhanced its critical support role in the Secretariat and has strengthened client-oriented procurement services over recent years. The Division has successfully supported the deployment of various field missions, including the first-ever emergency health mission, the United Nations Mission for Ebola Emergency Response. In addition to reforming procurement practices in critical areas of operations, such as aviation, the Procurement Division has substantially strengthened governance, compliance and the culture of ethics and integrity in United Nations procurement.**

82. **While being part of and affected by major initiatives shaping the future of the Secretariat, the volume and complexity of worldwide procurement operations have increased, requiring an organizational structure and governance framework that is highly responsive to clients' needs. Given the opportunity created by the implementation of Umoja, procurement operations are undergoing transformative changes that allow for the optimization of effective and efficient processes. In collaboration with various Secretariat offices and other stakeholders, the Division is further optimizing its support to clients. The reshaping of the procurement organization worldwide as envisaged would lead to significant benefits in terms of improved service to clients and reduced cost.**

83. **The General Assembly is requested to take note of the present report.**